

The Morning Email: Treasuries

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Want something added?

Let me know: jgoulding@ghco.com

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All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

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Important Econ Releases, Highs & Lows

	5y*	10y*	ZNH7**	ZBH7**	Date
Non-farm High	0.0000	98.2450	106.3100	110.1700	2/2/2007
Non-farm Low	0.0000	98.1200	106.1900	109.2900	2/2/2007
FOMC High	0.0000	98.1650	106.2500	110.0500	1/31/2007
FOMC Low	0.0000	98.0750	106.1700	109.2300	1/31/2007
PPI High	0.0000	99.2300	107.2600	111.2700	2/16/2007
PPI Low	0.0000	99.1200	107.1600	111.1000	2/16/2007
CPI High	0.0000	99.2050	107.2250	111.2100	2/21/2007
CPI Low	0.0000	99.0850	107.1250	111.0400	2/21/2007

*Adjusted for New Issue

**Adjusted for Roll

Prices are recorded from econ release to 2pm CDT

Quotes

	32 nds						
	ls	net	high	low	open	Volume	SYM NAME
TUAH7	101.285	0.2	101.292	101.275	101.280	16,247	2y Futures
FVAH7	104.305	1.0	105.000	104.275	104.285	42,821	5y Futures
TYAH7	107.125	1.5	107.150	107.080	107.095	119,118	10y Futures
USAH7	111.070	5	111.100	110.300	111.010	27,379	30y Futures
	ls	net	high	low	open	Volume	SYM NAME
BUS02P	99.255	0.5	99.262	99.247	99.252	na	2y
BUS05P	99.195	(15.5)	99.212	99.177	99.185	na	5y
BUS10P	99.080	3.0	99.105	99.035	99.050	na	10y
BUS30P	98.300	9	99.020	98.210	98.220	na	30y
	ls	net	high	low	open	Volume	SYM NAME
BUS02Y	4.854	0.00	4.879	4.838	4.867	na	2y Yield
BUS05Y	4.710	(1.50)	4.732	4.698	4.725	na	5y Yield
BUS10Y	4.718	(1.20)	4.74	4.706	4.732	na	10y Yield
BUS30Y	4.816	(1.50)	4.84	4.807	4.827	na	30y Yield

Source: CQG

Yesterday

02/22 15:09 CDS: RESCAP wider by 16bp to 118 and steeper as downgrades hit after realizations of the impact sub-prime lending might have on GMAC (wider by 6bps to 106). However, autos are generally ... with consumer names running a close second with Radio Shack (RSH), sabre Holdings (TSG), and Expedia (EXPE) continuing the rally. No surprise, financials are lagging with Rescap (RESCAP), Countrywide (CFC) and Washington Mutual (WM) lagging. Homebuilders steady.

02/22 15:15 Swaps: Spds are mostly wider across the curve but honestly did not do much given the decline in Tsy prices and the tightening in MBS.
02/22 15:22 US TSYS/RECAP: Market ends lower after ebbing much of the day amid 2-way flow, okay US\$13B 5Y sale, 4.719% hi yld, 2.43 cover, 26.5% indirects. Mkt bounced bit off lows amid late bargain-hunting, tho 5Y auction at loss: sold at 4.719%, now 4.721%. Lvrgd accts did a.m. trades in 10s, with also Street buying, buy-and-hold accounts, in 5s and 10s, also some in front end. US Tsys had pre-auction selling, and KC Fed mfrg production index at 18 Feb. vs. 5 Jan. Two-way morning flow included: dealer-led short-setting; lvrgd accts selling intermediates and paying in 10Y swaps; corporate, Japanese paying in 5Y swaps; real money receiving in 10Y swaps; 5Y swaps paying to build in concession; some European central banks selling earlier; lvrgd accts selling 2s...Quiet day seen Fri...

[Source - MNI]

Overnight

02/23 05:58 USTs: Treasuries are edging higher in light volumes in late London trade, helped by bunds sharp rally. However, traders say volumes remain muted, with many players sidelined ahead of the US open.
02/23 05:47 GILTS: Gilt gains are being led by short-squeeze in Bunds in the wake of weaker than expected German Ifo survey this morning. The 10-year Gilt is outperforming and comes after strong demand at Thursday's stg2.75bln 4.00% Sept 2016 Gilt auction, which was covered 2.22 times and a tail of 0.1 bps. Mar Gilts are up 20 ticks at 106.82.

[Source - MNI]

Today**Econ Releases & Speakers from MNI**

US: Economic Data Calendar 13:07 EDT / Feb 21
 Posted February 21

Date	ET	Data thru	Prior Report	Forecast
22-Feb	0830	17-Feb Jobless Claims	+44k to 357k	-32k to 325k
22-Feb	1000	Jan-07 Help-wanted Index	33	
22-Feb	1030	16-Feb EIA Crude Oil Stocks	-0.6 mn to 323.9 mn bbls	
22-Feb	1030	16-Feb EIA Nat Gas Stocks	-259 bcf to 2088 bcf	
22-Feb	1100	Feb-07 Kansas City Fed Production	5	
22-Feb	1630	12-Feb Money Supply (M2)	-\$0.1 bn	
23-Feb	0730	Jan-07 Building Permits Revision	---	
23-Feb	1000	Jan-07 BLS Mass Layoffs	133,818	---

US Event Calendar Thursday, February 22 15:10 EDT / Feb 21

--Upcoming Meetings and Events of Interest to Subscribers

DATE	GMT/EST	EVENT
23-Feb	1330/0830	Mexican Finance Minister Agustin Carstens to speak about the Mexican economy to the Americas Society, in New York.
23-Feb	2035/1535	San Francisco Federal Reserve Bank President Janet Yellen to speak about the U.S. economic outlook, in Sacramento, California. Audience & media Q&A expected.
23-Feb	2045/1545	Dallas Federal Reserve Bank President Richard Fisher to speak about the U.S. economy in a global context, to the Pacific Council on International Policy, in Los Angeles, California. Audience Q&A expected.

Yield Curve Spreads & Flys, DV01s, CFs

M Duration	
30y	15.80
10y	7.89
5y	4.32
3y	2.74
2y	1.85
ZB	9.95
ZN	5.69
ZF	3.77
ZT	1.73

DV01s (32nds)	
30y	5.01
10y	2.51
5y	1.38
3y	0.88
2y	0.59
ZB	3.56
ZN	1.98
ZF	1.28
ZT	1.14

DV01s (\$s)	
30y	\$1,565
10y	\$784
5y	\$431
3y	\$273
2y	\$185
ZB	\$111
ZN	\$62
ZF	\$40
ZT	\$36

Yield Curve Spreads

2/3	-9.30
3/5	-5.10
2/5	-14.40
5/10	0.80
2/10	-13.60
10/30	9.80
5/30	10.60
2/30	-3.80

Fly's	
2/3/5	-4.20
2/5/10	-15.20
2/10/30	-23.40
5/10/30	-9.00

CFs	
ZB	0.8275
ZN	0.8995
ZF	0.9421
ZT	0.9776

New: as of 02/22/06
New: as of 02/21/07

*CF OTR Basis = Conversion Factor On-the-Run Basis
(Cash price - (Futures price* OTR CF))= CF OTR Basis

MDuration & DV01s for Futures are based on
proxy issue (CTD)

MDuration = Modified Macaulay Duration

Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,

US Financial Futures / Eurex Bond Hedge Ratios
Short Number of Contracts

	ZB	ZN	ZF	ZT
Bund (H)	1.000	1.800	2.800	3.000
Bobl (H)	0.540	0.960	1.500	1.600
Schatz (H)	0.210	0.780	0.580	0.650

Number
of
contracts
LONG

Eurex Hedge Ratio's source: Bloomberg

US Financial Futures Hedge Ratios

	ZB	ZN	ZF	ZT
ZB		0.556	0.360	0.320
ZN	1.799		0.647	0.576
ZF	2.781	1.546		0.891
ZT	0.641	1.153	1.782	

Month Codes:

H=Mch M=Jun

U=Sep Z=Dec

Hedge Ratios: US Financial Futures / Eurex Bund, Bobl, Schatz,

US Treasuries v US Financial Futures Hedge Ratios

	2y	3y	5y	10y	30y
ZB	1.66	2.46	3.87	7.06	14.08
ZN	2.99	4.42	6.97	12.69	25.32
ZF	4.63	6.84	10.77	19.62	39.15
ZT	5.19	7.68	12.09	22.02	43.93

US Treasuries v Eurex Bonds Hedge Ratios

	2y	3y	5y	10y	30y
Bund (H)	1.7	2.4	3.9	7.0	13.1
Bobl (H)	3.1	4.7	7.3	13.5	25.2
Schatz (H)	7.1	10.4	16.7	30.0	56.1

Eurex Hedge Ratio's source: Bloomberg

Eurex Hedge Ratios

	Bund (H)	Bobl (H)	Schatz (H)
Bund (H)		1.900	4.600
Bobl (H)	0.530		2.500
Schatz (H)	0.220	0.400	

Eurex Hedge Ratio's source: Bloomberg

Month Codes:

H=Mch M=Jun

U=Sep Z=Dec

Hedge Ratios: US Treasury Cash

US Treasuries v US Treasuries					
	2y	3y	5y	10y	30y
2y		1.479	2.329	4.243	8.465
3y	0.676		1.575	2.868	5.723
5y	0.429	0.635		1.822	3.634
10y	0.236	0.349	0.549		1.995
30y	0.118	0.175	0.275	0.491	

Commitment of Traders (COT)

Current Positions										
	Small Spec			Large Spec			Commercials (Hedgers)			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
ZF	213,342	305,210	(91,868)	192,771	267,664	(74,893)	1,152,195	985,434	166,761	ZF
ZN	283,976	418,477	(134,501)	573,017	401,723	171,294	1,845,261	1,882,053	(36,792)	ZN
ZB	142,098	199,051	(56,953)	102,591	192,208	(89,617)	747,848	601,278	146,570	ZB

WoW** Position Change				As of 2/13/2007
	Sml Spec	Lrg Spec	Comm	
	Net	Net	Net	
ZF	(16,548)	(31,717)	48,264	
ZN	(25,920)	(27,869)	53,789	
ZB	6,734	(5,881)	(853)	

**WoW = Week over week

	Cpn	Mty	32nds	Yield
2y	4.875	2/28/09	99.2550	4.857
3y	4.750	2/15/10	99.3025	4.769
5y	4.750	2/29/12	99.1900	4.717
10y	4.625	2/15/17	99.055	4.730
30y	4.750	2/15/37	98.24	4.830

	CF Basis*	GHCO Basis		32nds
5y	0.99	18.192	ZF	104.2950
10y	2.74	46.388	ZN	107.1050
30y	6.22	331.938	ZB	111.02

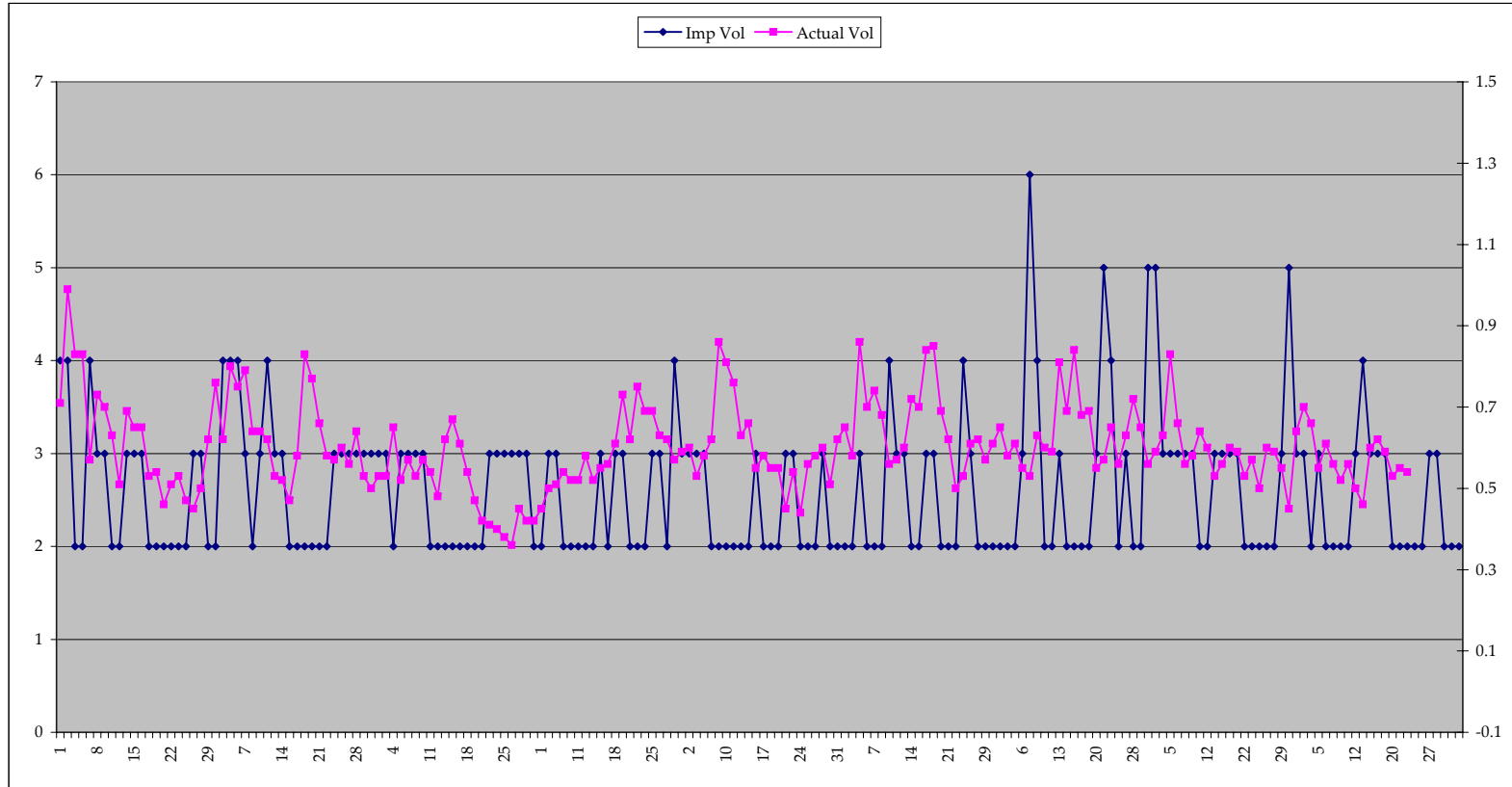
Curve Spreads bps

2/3	(0.088)
3/5	(0.052)
2/5	(0.140)
5/10	0.013
2/10	(0.127)
10/30	0.100
5/30	0.113
2/30	(0.027)

CF = Conversion Factor

Cash - (Futures * CF)

Implied Volatility (Daily)



Begins Jun 1, 2006. No weekends

Scale is 1-9 (left axis)
1,2 = very slow
3 = moderate
4,5 = volatile
6-9 = very volatile

Implied Volatility on left axis.
Actual Volatility on right axis.
Actual Vol based on 3 day MA
of the 30yr T-Bond Futures.

Implied Volatility (3-Hour)

CDT Time	UT Time	EDT Time	2/22/2007	2/23/2007	1/0/1900
1900-2200	0000-0300	2000-2300	2	2	0
2200-0100	0300-0600	2300-0200	2	2	0
0100-0400	0600-0900	0200-0500	2	2	0
0400-0700	0900-1200	0500-0800	1	1	0
0700-1000	1200-1500	0800-1100	1	1	0
1000-1300	1500-1800	1100-1400	1	1	0
1300-1600	1800-2100	1400-1700	1	1	0
1600-1900	2100-0000	1700-2000	2	2	0

Shaded boxes denote market hours 4am to 4pm CDT

Scale is 1-9
1,2 = very slow
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